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DCM LEVEL I

FUNDAMENTALS OF CREDIT MANAGEMENT

MONDAY: 17 May 2021.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) Define the following payment terms as used in credit management:
- (i) Load over load. (1 mark)
 - (ii) Cash with order. (1 mark)
 - (iii) Contra accounts. (1 mark)
 - (iv) Stage payment. (1 mark)
- (b) Explain four advantages of leasing. (8 marks)
- (c) Outline four telephone tactics that a debt collector should use. (4 marks)
- (d) List four errors that could occur when specifying a credit management system. (4 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Explain five mistakes to avoid when dealing with late paying clients. (10 marks)
- (b) Outline four advantages of using trade credit as a source of business finance. (4 marks)
- (c) Spell out three benefits of offering credit terms. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Outline five items usually included in a credit department's budget. (5 marks)
- (b) List five types of information contained in a valid sales order. (5 marks)
- (c) Explain five common invoicing mistakes. (10 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) (i) Explain four risks associated with credit card transactions. (8 marks)
- (ii) Highlight six reasons why a credit card application could be unsuccessful. (6 marks)
- (b) Summarise six ways in which a credit manager could improve accounts receivable collection. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Outline six reasons why the government borrows. (6 marks)
- (b) State eight roles of a loan officer. (8 marks)
- (c) Explain the following documents:
 - (i) Delivery note. (2 marks)
 - (ii) Credit note. (2 marks)
 - (iii) Debit note. (2 marks)

(Total: 20 marks)

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